16 November 2011

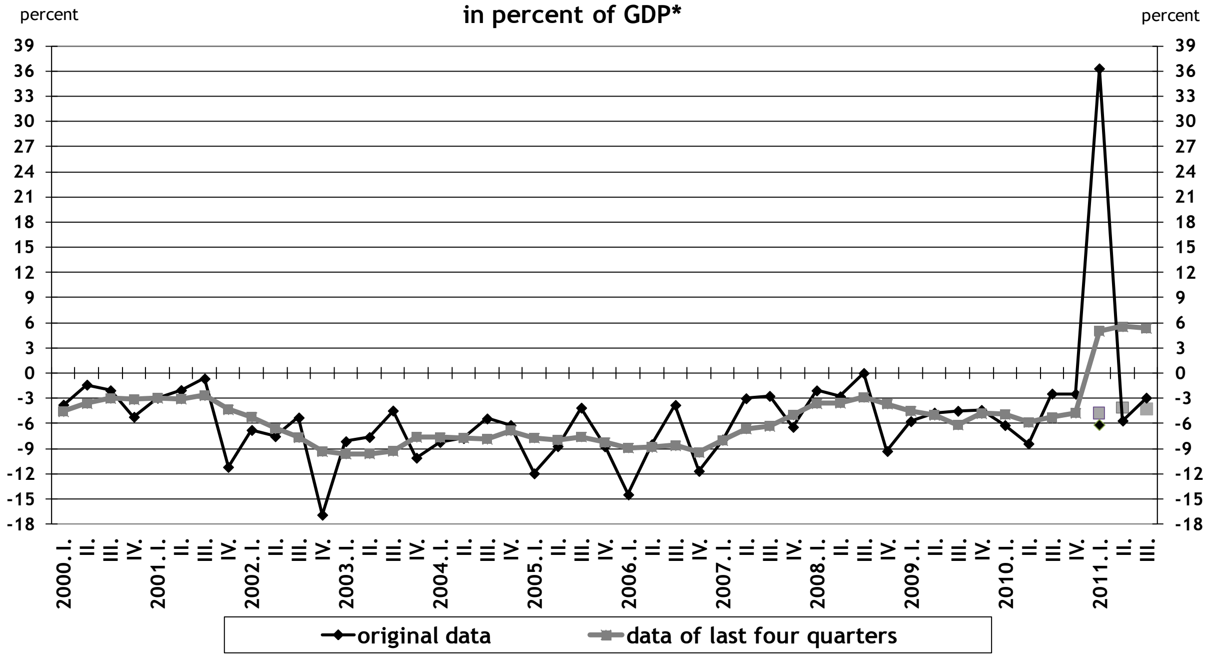
PRESS RELEASE

Preliminary financial accounts for general government and households: 2011 Q3

According to preliminary financial accounts data, general government net lending was equal to 5.4 per cent of Hungary's GDP in the four quarters to 2011 Q3.[1] The positive balance mainly reflected capital transfers from households to general government due to opt-outs from private pension funds, recorded in 2011 Q1. Excluding the amount of the capital transfer, general government net lending was equivalent to -4.2 per cent of GDP in the year to 2011 Q3. General government consolidated gross debt at nominal value amounted to 82.0 per cent of GDP at the end of 2011 Q3. Revaluations due to the depreciation of the forint exchange rate and transactions representing net issues of new debt contributed 65 per cent and 35 per cent respectively to the increase in debt in Q3, which amounted to 5.9 per cent of annual GDP.

Net lending of households was equivalent to -5.6 per cent of GDP in the four quarters to 2011 Q3, according to preliminary financial accounts data. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, net lending of households was equal to 4.0 of GDP in the year to 2011 Q3.

Net lending of the general government in percent of GDP*



* 2011 Q3 data are based on the MNB's own GDP estimate.
For 2011, the quarterly data (shown in black, only for Q1) and the data referring to the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as separate data points.

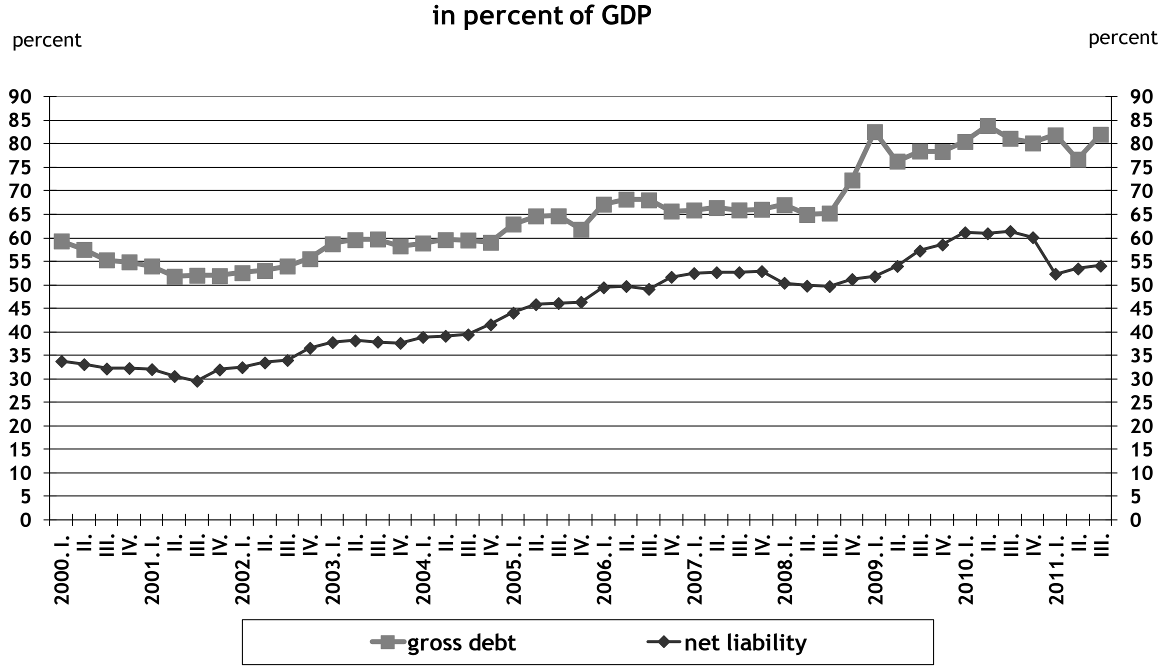
[1] The Central Statistical Office published backward revisions to GDP data on 22 September 2011. The financial accounts data being published do not yet reflect the effect of this revision on the sectors' net lending as a percentage of GDP, given that the CSO has not yet modified quarterly GDP data. The revised quarterly GDP data will be published in December 2011.

According to preliminary data, general government net lending amounted to HUF 1,499 billion or 5.4 per cent of Hungary's GDP in the four quarters to 2011 Q3. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, general government net lending amounted to HUF -1,179 billion or -4.2 per cent of GDP in the year to 2011 Q3.

General government net lending (HUF -209 billion) was equal to -2.9 per cent of quarterly GDP in 2011 Q3.

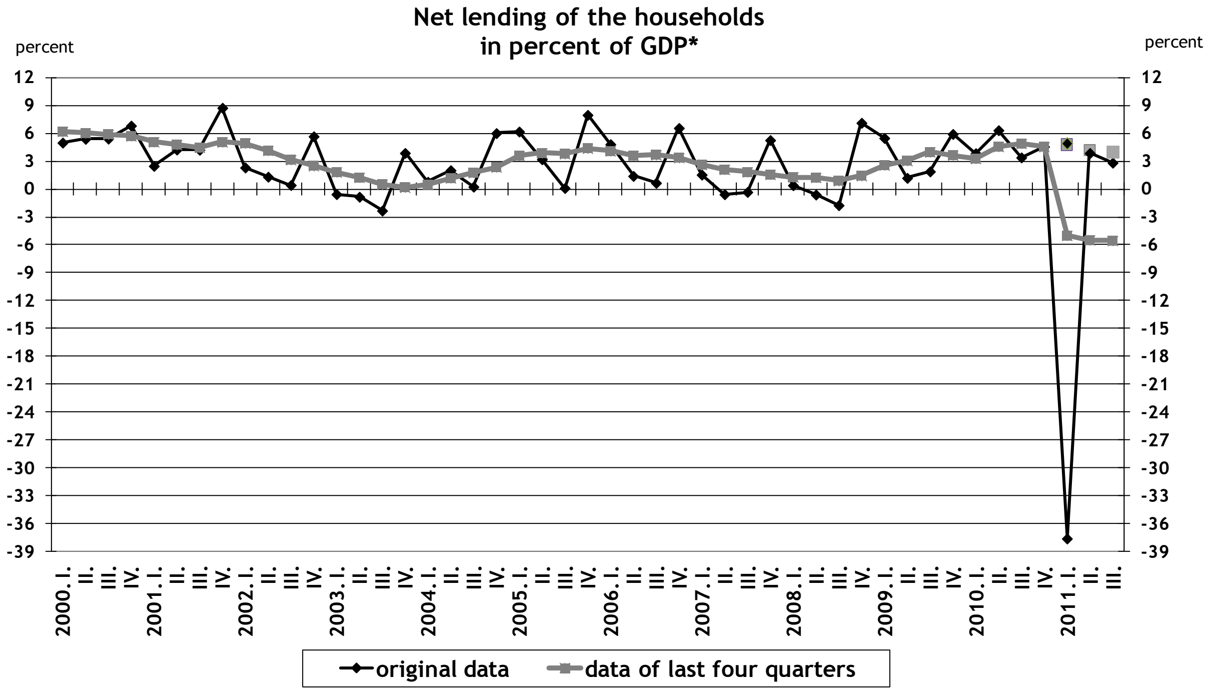
At the end of 2011 Q3, general government consolidated gross debt at nominal value (or Maastricht debt) was HUF 22,929 billion, equivalent to 82.0 per cent of GDP. Revaluations and transactions contributed 65 per cent and 35 per cent respectively to the increase in gross debt in Q3. Net liabilities of general government amounted to HUF 15,114 billion or 54.1 per cent of GDP at the end of 2011 Q3.

Maastricht debt and net liability of the general government* in percent of GDP



* The Maastricht measure of general government debt is defined as the sector's consolidated gross debt at nominal value, excluding other liabilities (AF.7). Net debt is equal to net worth (i.e. the difference between the market values of total financial assets and total liabilities) with the opposite sign.

In 2011 Q3, net borrowing of central government amounted to HUF 189 billion. On the assets side, central government deposits with the central bank and holdings of quoted shares increased significantly, while holdings of mutual fund shares fell sharply. On the liabilities side, the increases in holdings of government bonds and long-term loans were dominant. Net lending of local government authorities (HUF 106 billion) was mainly reflected in an increase in their deposits. The net borrowing requirement of social security funds (HUF 126 billion) caused a decrease in other assets and an increase in loans from central government.



* 2011 Q3 data are based on the MNB's own GDP estimate.
For 2011, the quarterly data (shown in black, only for Q1) and the data referring to the final four quarters (shown in grey), which show general government net lending excluding the effect of the capital transfer due to withdrawals from private pension funds, were plotted as separate data points.

According to preliminary financial accounts data, household net lending (HUF -1,554 billion) was equivalent to -5.6 per cent of GDP in the four quarters to 2011 Q3. Excluding the effect of the capital transfer from households to general government due to opt-outs from private pension funds, household net lending amounted to HUF 1,124 billion or 4.0 per cent of GDP in the year to 2011 Q3.

In 2011 Q3, household net lending (HUF 202 billion) amounted to 2.8 per cent of quarterly GDP.

On the assets side, household holdings of cash, forint deposits and quoted shares increased significantly, while other assets fell sharply due to the disbursement of real returns related to opt-outs from private pension funds. On the liabilities side, the increase forint loans and the decrease in foreign currency loans, exceeding the increase in forint borrowing, were dominant. In addition, the sector's other liabilities fell significantly.

Preliminary financial accounts data are available on the MNB's website at: Statistics/Statistical Data and Information/Statistical Time Series/XII. Financial Accounts/Preliminary Financial Accounts of Households and General Government. The full set of financial accounts for the institutional sectors of the national economy for the period 2011 Q3 will be published on 2 January 2012.

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Table[2]

Main data of the general government and the households

	2009Q1	2009Q2	2009Q3	2009Q4	2010Q1	2010Q2	2010Q3	2010Q4	2011Q1	2011Q2	2011Q3
Net lending, quarterly transactions, billion HUF											
General government (S.13	-340	-306	-292	-315	-373	-560	-169	-186	2290	-396	-209
Households (S.14)	325	77	123	424	232	422	235	343	-2370	271	202
Net lending of last four quarters, billion HUF											
General government (S.13	-1193	-1311	-1604	-1253	-1286	-1541	-1418	-1289	1374	1539	1499
Households (S.14)	680	798	1036	950	856	1200	1313	1232	-1370	-1521	-1554
Consolidated gross debt of the general government, billion HUF											
General government (S.13	21837	19990	20443	20422	21048	22095	21732	21750	22450	21281	22929
Net lending, quarterly transactions, percent of GDP											
General government (S.13	-5,7	-4,7	-4,5	-4,4	-6,2	-8,4	-2,4	-2,5	36,3	-5,7	-2,9
Households (S.14)	5,5	1,2	1,9	5,9	3,9	6,3	3,4	4,6	-37,6	3,9	2,8
Net lending of last four quarters, percent of GDP											
General government (S.13	-4,5	-5,0	-6,2	-4,8	-4,9	-5,9	-5,3	-4,8	5,0	5,5	5,4
Households (S.14)	2,6	3,0	4,0	3,6	3,3	4,6	4,9	4,5	-5,0	-5,5	-5,6
Consolidated gross debt of the general government, percent of GDP											
General government (S.13	82,6	76,3	78,5	78,4	80,5	83,9	81,2	80,2	81,9	76,7	82,0

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Methodological notes

1 Under the relevant law, membership of former members in private pension funds ceased on 1 March 2011. Accordingly, 2011 Q1 financial accounts data include the amount of capital transfers from households to general government related to the opt-outs. In the statistical records, members' pension fund reserves, excluding their real returns and personal contributions to the funds, were recorded as a capital transfer to the central government on 1 March 2011; households' pension fund reserves (recorded under insurance technical reserves) were reduced by the same amount, with general government's claims on pension funds (recorded under other assets/liabilities) being increased by the same amount in Q1. The value of capital transfer and the amount due to households are currently estimated to be HUF 2,678 billion and HUF 233 billion respectively. Private pension funds transferred financial assets of their former members to central government in 2011 Q2. This asset transfer only affected the balance sheets of central government and private pension funds, and left the sectors' net lending unaffected. As a result of the asset transfer, general government gross debt fell by the values of government bonds and Treasury bills transferred to the state (by HUF 1,354 billion at nominal value).

Former pension fund members received the amount of their real return and individual contribution from pension funds in 2011 Q3. The disbursement of this amount left net lending of households (and other sectors) unchanged in the financial accounts, but affected the composition of financial assets. As a result of disbursements, other claims of households on pension funds fell and their deposits and cash holdings increased in 2011 Q3.

2 Decline in household foreign currency holdings

According to estimates based on reports from bureaux de change, household holdings of foreign currency fell by HUF 40 billion in the financial accounts due to transactions in 2011 Q3.

3 Recording extraordinary VAT refunds

In accordance with the judgement of the European Court of Justice, Parliament has changed VAT refund rules. As a result, other liabilities of central government in the financial accounts are estimated to have increased by HUF 272 billion and its net borrowing requirement to have increased

[2] The sectors' net lending as a percentage of GDP does not yet reflect the effect of the latest revision by the CSO. See explanation in footnote 1.

by the same amount, as the amount was recorded in the statistics as a capital transfer from the state to non-financial corporations.

4 Bond issue by MÁV Ltd

Hungarian Railways Ltd issued government-guaranteed bonds to cover its expenses in 2011 Q3. As the bond issue served to cover the costs of MÁV, it was recorded in the statistics both as central government expenditure and an increase in central government liabilities. This increased the debt and deficit of central government by HUF 35 billion in 2011 Q3.

MAGYAR NEMZETI BANK
STATISTICS

One of the primary statutory duties of the Magyar Nemzeti Bank is to collect and publish statistical information. The statistical press release aims to help the reader understand the latest published data. The Quarterly Report on Inflation *and the* Report on Financial Stability, *published periodically, contain the Bank's analyses of underlying economic processes and are accessible at www.mnb.hu.*

References
Data
Financial accounts manual
Methodological notes

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